

Rubin & Hays

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CHARLES S. MUSSON
W. RANDALL JONES
CHRISTIAN L. JUCKETT

PARALEGAL
MARY M. EMBRY

March 26, 2004

Mr. Thomas Dorman, Executive Director
Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602

Case 2004-00111

RECEIVED

MAR 26 2004

PUBLIC SERVICE
COMMISSION

Re: Grayson County Water District PSC Application

Dear Mr. Dorman:

Enclosed please find the original and ten (10) copies of the Application of the Grayson County Water District for an Order authorizing the issuance of securities pursuant to KRS 278.300.

This Application requests approval of the issuance of securities for the purpose of refunding certain high interest Bonds of the Applicant. **Due to the extreme volatility of the financial markets and the fact that this refunding is interest rate sensitive, we request that the Commission process the Application in an expedited manner and issue an Order on or before April 27, 2004 (the date set for closing the securities).**

Thank you for your assistance and if you need any additional information or documentation, please let us know.

Sincerely,

Rubin & Hays

By 
W. Randall Jones

WRJ:jlm
Enclosures

cc: Mr. Kevin Shaw, Grayson County Water District
Ms. Kristen Curtis, Morgan Keegan

RECEIVED

MAR 26 2004

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

**THE APPLICATION OF GRAYSON COUNTY)
WATER DISTRICT TO ISSUE SECURITIES)
IN THE APPROXIMATE PRINCIPAL AMOUNT)
OF \$3,136,000 FOR THE PURPOSE OF REFUNDING) CASE NO. 2004-00111
CERTAIN OUTSTANDING REVENUE BONDS OF)
THE DISTRICT PURSUANT TO THE PROVISIONS)
OF KRS 278.300 AND 807 KAR 5:001)**

** *** **** ***** **** ** **

APPLICATION

The Applicant, Grayson County Water District (the "District"), files this Application pursuant to KRS 278.300, 807 KAR 5:001, and all other applicable laws and regulations, and requests that the Kentucky Public Service Commission (the "Commission") enter an Order authorizing the District to issue certain securities in the approximate principal sum \$3,136,000 (subject to adjustment of up to 10%), for the purpose of refunding certain outstanding waterworks revenue bonds of the District. In support of this Application, and in compliance with the rules and regulations of the Commission, the District states as follows:

1. The District was established in accordance with the provisions of Chapter 74 of the Kentucky Revised Statutes pursuant to an Order of the County Judge/Executive of Grayson County, which Order is on file in the County Court Order Books in the office of the Clerk of Grayson County, Kentucky. The District is now, and has been since its inception, regulated by the Commission, and all records and proceedings of the Commission with reference to the District are

incorporated in this Application by reference. The District does not have any Articles of Incorporation due to the fact that it is a statutory entity.

2. The governing body of the District is its Board of Commissioners which is a public body corporate, with power to make contracts in furtherance of its lawful and proper purpose as provided for in KRS 74.070 and all applicable law and regulations.

3. The mailing address of the District is as follows:

Grayson County Water District
c/o Mr. Kevin Shaw, Manager
P.O. Box 217
Leitchfield, Kentucky 42755
Telephone: (270) 259-2917

4. A general description of the District's water system property, together with a statement of the original cost, is contained in the District's Annual Report for 2002 which is on file with the Commission. The Annual Report is incorporated herein by reference.

5. The District proposes to borrow funds from the Kentucky Rural Water Finance Corporation ("KRWFC") pursuant to an Assistance Agreement (the "2004 Loan"), in the estimated principal amount of \$3,136,000 (subject to adjustment of up to 10%) for the purpose of refunding the outstanding revenue bonds designated as the (i) Grayson County Water District Water System Revenue Bonds, Series of 1974, dated December 6, 1974, in the original principal amount of \$500,000 (the "1974 Bonds"); (ii) Grayson County Water District Water System Revenue Bonds, Series of 1977, dated May 4, 1978, in the original principal amount of \$276,000 (the "1977 Bonds"); (iii) Grayson County Water District Water System Revenue Bonds, Series of 1981, dated February 16, 1983, in the original principal amount of \$143,000 (the "1981 Bonds"); (iv) Grayson County Water District Water System Revenue Bonds, Series of 1985, dated March 21, 1986, in the original principal amount of \$269,000 (the "1985 Bonds"); (v) Grayson County Water District Water System

Revenue Bonds, Series of 1988, dated October 12, 1989, in the original principal amount of \$1,343,000 (the "1988 Bonds"); and (vi) Grayson County Water District Water System Revenue Bonds, Series of 1991, dated January 26, 1993, in the original principal amount of \$1,440,000 (the "1991 Bonds") (hereinafter the 1974 Bonds, 1977 Bonds, 1981 Bonds, 1985 Bonds, 1988 Bonds and 1991 Bonds shall be collectively referred to as the "Prior Bonds"). Said Prior Bonds are currently held by the U.S. Department of Agriculture, acting through Rural Development ("RD") and all bear interest at the rate of 5.00% per annum.

6. The estimated debt service for the 2004 Loan is shown in **Exhibit A**, which is attached hereto and incorporated herein by reference. The debt service schedule and estimated interest rates are subject to change because of market conditions. The final terms and details of the 2004 Loan may vary from the present assumptions based upon market conditions and other business judgment factors.

7. The 2004 Loan will provide the District with the funds necessary to (i) refund the Prior Bonds; and (iii) pay the fees and expenses incident to the issuance of the 2004 Loan.

8. The Sources and Uses of Funds to be obtained from the issuance of the 2004 Loan are detailed as **Exhibit B**, which is attached hereto and incorporated herein by reference.

9. It is anticipated that the proposed refinancing will result in total gross savings of approximately \$522,872.22, which represents a net present value savings of \$173,795.04. These savings are shown on the Debt Service Comparison, which is attached hereto and incorporated herein by reference as **Exhibit C**.

10. The final principal amount of the 2004 Loan will be adjusted, based upon final interest rates which will be known on or about March 24, 2004, in order to provide funds sufficient to redeem, in full, the Prior Bonds. Final financial figures will be submitted to the Commission in

a timely manner. The Applicant will not issue the securities if interest rates in the bond market shift to a point where the Applicant will not achieve any savings.

11. The Debt Service Schedule of the outstanding Prior Bonds being refunded is set forth in **Exhibit D**.

12. The District represents that the 2004 Loan is in the public interest and is intended to accomplish the purpose of strengthening the financial condition of the District by producing substantial debt service savings. This is a lawful object within the corporate purposes of the District's utility operations. The 2004 Loan is necessary, appropriate for, and consistent with the proper performance by the District of its service to the public and will not impair its ability to perform that service.

13. The District represents that it will, as soon as reasonably possible after the closing of the 2004 Loan, file with the Commission a statement setting forth the date of issuance of the 2004 Loan, the price paid, the fees and expenses incurred in the issuance of the 2004 Loan, and the terms and interest rates of the 2004 Loan.

14. The detailed Statement of Revenue and Expenses, Balance Sheet and Statement of Cash Flows for the twelve month period ending on December 31, 2003 are attached hereto and incorporated herein by reference as **Exhibit E** respectively.

15. The remaining financial schedules and other information necessary for the Financial Exhibit required by 807 KAR 5:001, Section 6 and Section 11 (2) (a) are contained in the 2002 Annual Report which is on file with the Commission. The Annual Report is incorporated herein by reference.

16. Pursuant to 807 KAR 5:001, the District hereby responds as follows:

- (a) Section 6(4) Mortgages: The District does not have any mortgages in effect as of the date hereof.
- (b) Section 6(5) Bonds: The 2004 Loan will be secured by a pledge of the revenues of the District's System.
- (c) Section 11(2)(b): The District does not have any trust deeds in effect as of the date hereof.
- (d) Section 11(2)(c): No property is being acquired as the proceeds of the securities are being used for the refunding of the Prior Bonds.

17. The District hereby requests and moves for a deviation, pursuant to 807 KAR 5:001, Section 14, from the requirements of 807 KAR 5:001, Section 6, which requires that the financial data filed with the Application be for a twelve (12) month period ending within ninety (90) days of the filing of the application. The District states that there has been no change that is material in nature in the financial condition or operation of the District since December 31, 2003. The financial data filed with this Application is for the twelve (12) month period ending December 31, 2003. This is the most recent published financial data available. Because of the volatility of the bond market, the District cannot run the risk of delaying the closing of the 2004 Loan while more current financial data is compiled. Also, the refunding of the Prior Bonds will save the District significant revenues thus improving the District's financial position.

18. No rate adjustment will be necessary.

WHEREFORE, the District respectfully requests that the Commission take the following actions:

1. Authorize the issuance of the securities requested in the Application prior to the closing date of **April 27, 2004**;

2. Grant the District a deviation, to the extent necessary, from 807 KAR 5:001, Section 6 to allow the submission of the District's 2002 Annual Report and 2003 Audit in lieu of more recent financial data, there being no material change in the data in 2004 and due to the volatility of the present bond market; and

3. Process this Application without a formal hearing in order to save time and expense. The District will promptly respond to any inquiries or information requests by the Commission's staff.

RUBIN & HAYS

By 

W. Randall Jones
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
Phone: (502) 569-7525
Fax: (502) 569-7555
Counsel for Grayson County
Water District

STATE OF KENTUCKY)
) SS
COUNTY OF GRAYSON)

The affiant, Edwin Nichols, being first duly sworn, states: That he is the Chairman of the Grayson County Water District, the Applicant in this case; that he has read the foregoing Application and has noted the contents thereof; that the same are true of his own knowledge and belief, except as to matters which are herein stated to be based on information or belief, and that these matters, he believes to be true and correct.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on the 23 day of March, 2004.


Edwin Nichols, Chairman

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Edwin Nichols, Chairman of the Grayson County Water District, on this the 23 day of March, 2004.

My Commission expires: May 17, 2005.


NOTARY PUBLIC

\$3,136,000

Grayson County Water District
Kentucky Rural Water Finance Corporation

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
12/30/2004	-	-	39,290.80	39,290.80
12/30/2005	119,000.00	2.280%	116,515.80	235,515.80
12/30/2006	118,000.00	2.400%	113,743.20	231,743.20
12/30/2007	120,000.00	2.405%	110,884.20	230,884.20
12/30/2008	126,000.00	2.530%	107,847.30	233,847.30
12/30/2009	128,000.00	2.780%	104,474.20	232,474.20
12/30/2010	134,000.00	3.155%	100,581.15	234,581.15
12/30/2011	140,000.00	3.330%	96,136.30	236,136.30
12/30/2012	144,000.00	3.530%	91,263.70	235,263.70
12/30/2013	148,000.00	4.030%	85,739.90	233,739.90
12/30/2014	129,000.00	4.030%	80,158.35	209,158.35
12/30/2015	132,000.00	4.030%	74,899.20	206,899.20
12/30/2016	139,000.00	4.030%	69,438.55	208,438.55
12/30/2017	144,000.00	4.030%	63,736.10	207,736.10
12/30/2018	126,000.00	4.030%	58,295.60	184,295.60
12/30/2019	130,000.00	4.155%	53,055.95	183,055.95
12/30/2020	137,000.00	4.155%	47,509.03	184,509.03
12/30/2021	145,000.00	4.280%	41,559.86	186,559.86
12/30/2022	140,000.00	4.280%	35,460.86	175,460.86
12/30/2023	144,000.00	4.405%	29,293.26	173,293.26
12/30/2024	151,000.00	4.405%	22,795.88	173,795.88
12/30/2025	158,000.00	4.405%	15,990.15	173,990.15
12/30/2026	149,000.00	4.405%	9,228.48	158,228.48
12/30/2027	135,000.00	4.405%	2,973.38	137,973.38
Total	\$3,136,000.00	-	\$1,570,871.20	\$4,706,871.20

Yield Statistics

Accrued Interest from 04/01/2004 to 04/27/2004	8,513.01
Bond Year Dollars	\$38,234.33
Average Life	12.192 Years
Average Coupon	4.1085356%
Net Interest Cost (NIC)	4.1674641%
True Interest Cost (TIC)	4.1502529%
Bond Yield for Arbitrage Purposes	4.2670154%
All Inclusive Cost (AIC)	4.4122085%

IRS Form 8038

Net Interest Cost	4.1600036%
Weighted Average Maturity	11.984 Years

\$3,136,000

Grayson County Water District
Kentucky Rural Water Finance Corporation

Sources & Uses

Dated 04/01/2004 | Delivered 04/27/2004

SOURCES OF FUNDS

Par Amount of Bonds	\$3,136,000.00
Accrued Interest from 04/01/2004 to 04/27/2004	8,445.49
Transfers from Prior Issue Debt Service Funds	59,385.87

TOTAL SOURCES **\$3,203,831.36**

USES OF FUNDS

Original Issue Discount (OID)	758.57
Total Underwriter's Discount (0.709%)	22,233.00
Costs of Issuance	52,040.56
Gross Bond Insurance Premium (29.0 bp)	13,616.69
Deposit to Debt Service Fund	8,445.49
Deposit to Current Refunding Fund	3,105,950.47
Rounding Amount	786.58

TOTAL USES **\$3,203,831.36**

\$3,136,000

Grayson County Water District
Kentucky Rural Water Finance Corporation

Debt Service Comparison

Part 1 of 2

Date	Total P+I	Expenses	Net New D/S	Old Net D/S	Savings
12/30/2004	39,290.80	-	39,290.80	76,417.71	37,126.91
12/30/2005	235,515.80	450.00	235,965.80	235,425.71	(540.09)
12/30/2006	231,743.20	450.00	232,193.20	234,400.00	2,206.80
12/30/2007	230,884.20	450.00	231,334.20	233,900.00	2,565.80
12/30/2008	233,847.30	450.00	234,297.30	237,100.00	2,802.70
12/30/2009	232,474.20	450.00	232,924.20	236,000.00	3,075.80
12/30/2010	234,581.15	450.00	235,031.15	237,625.00	2,593.85
12/30/2011	236,136.30	450.00	236,586.30	238,900.00	2,313.70
12/30/2012	235,263.70	450.00	235,713.70	237,875.00	2,161.30
12/30/2013	233,739.90	450.00	234,189.90	236,600.00	2,410.10
12/30/2014	209,158.35	450.00	209,608.35	210,700.00	1,091.65
12/30/2015	206,899.20	450.00	207,349.20	210,175.00	2,825.80
12/30/2016	208,438.55	450.00	208,888.55	212,325.00	3,436.45
12/30/2017	207,736.10	450.00	208,186.10	211,150.00	2,963.90
12/30/2018	184,295.60	450.00	184,745.60	187,300.00	2,554.40
12/30/2019	183,055.95	450.00	183,505.95	185,800.00	2,294.05
12/30/2020	184,509.03	450.00	184,959.03	187,025.00	2,065.97
12/30/2021	186,559.86	450.00	187,009.86	186,925.00	(84.86)
12/30/2022	175,460.86	450.00	175,910.86	177,750.00	1,839.14
12/30/2023	173,293.26	450.00	173,743.26	177,500.00	3,756.74
12/30/2024	173,795.88	450.00	174,245.88	177,925.00	3,679.12
12/30/2025	173,990.15	450.00	174,440.15	178,000.00	3,559.85
12/30/2026	158,228.48	450.00	158,678.48	162,125.00	3,446.52
12/30/2027	137,973.38	450.00	138,423.38	161,325.00	22,901.62
12/30/2028	-	-	-	161,200.00	161,200.00
12/30/2029	-	-	-	83,700.00	83,700.00
12/30/2030	-	-	-	82,925.00	82,925.00
12/30/2031	-	-	-	82,000.00	82,000.00
Total	\$4,706,871.20	\$10,350.00	\$4,717,221.20	\$5,240,093.42	\$522,872.22

\$3,136,000

Grayson County Water District
Kentucky Rural Water Finance Corporation

Debt Service Comparison

Part 2 of 2

PV Analysis Summary (Net to Net)

Gross Debt Service Savings	522,872.22
Accrued Interest Credit to Debt Service Fund	8,445.49
Transfers from Prior Issue Debt Service Fund	(59,385.87)
Contingency or Rounding Amount	786.58
Net Benefit	\$472,718.42
Net Present Value Benefit	\$173,795.04
Net PV Benefit / \$3,056,708 Refunded Principal	5.686%
Net PV Benefit / \$3,136,000 Refunding Principal	5.542%

Refunding Bond Information

Refunding Dated Date	4/01/2004
Refunding Delivery Date	4/27/2004

\$236,000
Grayson County Water District
Series 1974

PRIOR ORIGINAL DEBT SERVICE

Date	Principal	Coupon	Interest	Total P+I
12/30/2003	-	-	-	-
12/30/2004	-	-	11,800.00	11,800.00
12/30/2005	19,000.00	-	11,325.00	30,325.00
12/30/2006	20,000.00	-	10,350.00	30,350.00
12/30/2007	22,000.00	-	9,300.00	31,300.00
12/30/2008	24,000.00	-	8,150.00	32,150.00
12/30/2009	26,000.00	-	6,900.00	32,900.00
12/30/2010	28,000.00	-	5,550.00	33,550.00
12/30/2011	31,000.00	-	4,075.00	35,075.00
12/30/2012	33,000.00	-	2,475.00	35,475.00
12/30/2013	33,000.00	-	825.00	33,825.00
Total	236,000.00	-	70,750.00	306,750.00

YIELD STATISTICS

Average Life.....	5.246 Years
Weighted Average Maturity (Par Basis).....	5.174 Years
Average Coupon.....	5.2382876%

REFUNDING BOND INFORMATION

Refunding Dated Date.....	4/01/2004
Refunding Delivery Date.....	4/27/2004

Morgan Keegan & Co., Inc.
Kentucky Public Finance

File = SERIES 2004 B Grouped.SF-SINGLE PURPOSE
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\$171,000
Grayson County Water District
Series 1977

PRIOR ORIGINAL DEBT SERVICE

Date	Principal	Coupon	Interest	Total P+I
12/30/2003	-	-	-	-
12/30/2004	-	-	8,550.00	8,550.00
12/30/2005	7,000.00	-	8,375.00	15,375.00
12/30/2006	8,000.00	-	8,000.00	16,000.00
12/30/2007	8,000.00	-	7,600.00	15,600.00
12/30/2008	9,000.00	-	7,175.00	16,175.00
12/30/2009	9,000.00	-	6,725.00	15,725.00
12/30/2010	10,000.00	-	6,250.00	16,250.00
12/30/2011	10,000.00	-	5,750.00	15,750.00
12/30/2012	10,000.00	-	5,250.00	15,250.00
12/30/2013	12,000.00	-	4,700.00	16,700.00
12/30/2014	20,000.00	-	3,900.00	23,900.00
12/30/2015	20,000.00	-	2,900.00	22,900.00
12/30/2016	24,000.00	-	1,800.00	25,800.00
12/30/2017	24,000.00	-	600.00	24,600.00
Total	171,000.00	-	77,575.00	248,575.00

YIELD STATISTICS

Average Life.....	8.323 Years
Weighted Average Maturity (Par Basis).....	8.251 Years
Average Coupon.....	5.1501844%

REFUNDING BOND INFORMATION

Refunding Dated Date.....	4/01/2004
Refunding Delivery Date.....	4/27/2004

\$96,000
Grayson County Water District
Series 1981

PRIOR ORIGINAL DEBT SERVICE

Date	Principal	Coupon	Interest	Total P+I
12/30/2003	-	-	-	-
12/30/2004	-	-	4,800.00	4,800.00
12/30/2005	4,000.00	-	4,700.00	8,700.00
12/30/2006	4,000.00	-	4,500.00	8,500.00
12/30/2007	4,000.00	-	4,300.00	8,300.00
12/30/2008	4,000.00	-	4,100.00	8,100.00
12/30/2009	4,000.00	-	3,900.00	7,900.00
12/30/2010	5,000.00	-	3,675.00	8,675.00
12/30/2011	5,000.00	-	3,425.00	8,425.00
12/30/2012	5,000.00	-	3,175.00	8,175.00
12/30/2013	5,000.00	-	2,925.00	7,925.00
12/30/2014	6,000.00	-	2,650.00	8,650.00
12/30/2015	6,000.00	-	2,350.00	8,350.00
12/30/2016	6,000.00	-	2,050.00	8,050.00
12/30/2017	7,000.00	-	1,725.00	8,725.00
12/30/2018	7,000.00	-	1,375.00	8,375.00
12/30/2019	7,000.00	-	1,025.00	8,025.00
12/30/2020	8,000.00	-	650.00	8,650.00
12/30/2021	9,000.00	-	225.00	9,225.00
Total	96,000.00	-	51,550.00	147,550.00

YIELD STATISTICS

Average Life.....	9.990 Years
Weighted Average Maturity (Par Basis).....	9.917 Years
Average Coupon.....	5.1251303%

REFUNDING BOND INFORMATION

Refunding Dated Date.....	4/01/2004
Refunding Delivery Date.....	4/27/2004

Morgan Keegan & Co., Inc.
 Kentucky Public Finance

File = SERIES 2004 B Grouped.SF-SINGLE PURPOSE
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\$205,000
Grayson County Water District
Series 1985

PRIOR ORIGINAL DEBT SERVICE

Date	Principal	Coupon	Interest	Total P+I
12/30/2003	-	-	-	-
12/30/2004	-	-	10,250.00	10,250.00
12/30/2005	6,000.00	-	10,100.00	16,100.00
12/30/2006	6,000.00	-	9,800.00	15,800.00
12/30/2007	6,000.00	-	9,500.00	15,500.00
12/30/2008	7,000.00	-	9,175.00	16,175.00
12/30/2009	7,000.00	-	8,825.00	15,825.00
12/30/2010	7,000.00	-	8,475.00	15,475.00
12/30/2011	8,000.00	-	8,100.00	16,100.00
12/30/2012	8,000.00	-	7,700.00	15,700.00
12/30/2013	8,000.00	-	7,300.00	15,300.00
12/30/2014	9,000.00	-	6,875.00	15,875.00
12/30/2015	9,000.00	-	6,425.00	15,425.00
12/30/2016	10,000.00	-	5,950.00	15,950.00
12/30/2017	10,000.00	-	5,450.00	15,450.00
12/30/2018	11,000.00	-	4,925.00	15,925.00
12/30/2019	11,000.00	-	4,375.00	15,375.00
12/30/2020	12,000.00	-	3,800.00	15,800.00
12/30/2021	12,000.00	-	3,200.00	15,200.00
12/30/2022	13,000.00	-	2,575.00	15,575.00
12/30/2023	14,000.00	-	1,900.00	15,900.00
12/30/2024	15,000.00	-	1,175.00	16,175.00
12/30/2025	16,000.00	-	400.00	16,400.00
Total	205,000.00	-	136,275.00	341,275.00

YIELD STATISTICS

Average Life.....	12.545 Years
Weighted Average Maturity (Par Basis).....	12.473 Years
Average Coupon.....	5.0996403%

REFUNDING BOND INFORMATION

Refunding Dated Date.....	4/01/2004
Refunding Delivery Date.....	4/27/2004

\$1,098,000
Grayson County Water District
Series 1988

PRIOR ORIGINAL DEBT SERVICE

Date	Principal	Coupon	Interest	Total P+I
12/30/2003	-	-	-	-
12/30/2004	-	-	54,900.00	54,900.00
12/30/2005	25,000.00	-	54,275.00	79,275.00
12/30/2006	26,000.00	-	53,000.00	79,000.00
12/30/2007	27,000.00	-	51,675.00	78,675.00
12/30/2008	29,000.00	-	50,275.00	79,275.00
12/30/2009	30,000.00	-	48,800.00	78,800.00
12/30/2010	32,000.00	-	47,250.00	79,250.00
12/30/2011	33,000.00	-	45,625.00	78,625.00
12/30/2012	35,000.00	-	43,925.00	78,925.00
12/30/2013	36,000.00	-	42,150.00	78,150.00
12/30/2014	38,000.00	-	40,300.00	78,300.00
12/30/2015	40,000.00	-	38,350.00	78,350.00
12/30/2016	42,000.00	-	36,300.00	78,300.00
12/30/2017	44,000.00	-	34,150.00	78,150.00
12/30/2018	47,000.00	-	31,875.00	78,875.00
12/30/2019	49,000.00	-	29,475.00	78,475.00
12/30/2020	51,000.00	-	26,975.00	77,975.00
12/30/2021	54,000.00	-	24,350.00	78,350.00
12/30/2022	57,000.00	-	21,575.00	78,575.00
12/30/2023	59,000.00	-	18,675.00	77,675.00
12/30/2024	62,000.00	-	15,650.00	77,650.00
12/30/2025	65,000.00	-	12,475.00	77,475.00
12/30/2026	69,000.00	-	9,125.00	78,125.00
12/30/2027	72,000.00	-	5,600.00	77,600.00
12/30/2028	76,000.00	-	1,900.00	77,900.00
Total	1,098,000.00	-	838,650.00	1,936,650.00

YIELD STATISTICS

Average Life.....	14.526 Years
Weighted Average Maturity (Par Basis).....	14.454 Years
Average Coupon.....	5.0860529%

REFUNDING BOND INFORMATION

Refunding Dated Date.....	4/01/2004
Refunding Delivery Date.....	4/27/2004

\$1,192,000
Grayson County Water District
Series 1993

PRIOR ORIGINAL DEBT SERVICE

Date	Principal	Coupon	Interest	Total P+I
12/30/2003	-	-	-	-
12/30/2004	-	-	59,600.00	59,600.00
12/30/2005	22,000.00	-	59,050.00	81,050.00
12/30/2006	23,000.00	-	57,925.00	80,925.00
12/30/2007	24,000.00	-	56,750.00	80,750.00
12/30/2008	25,000.00	-	55,525.00	80,525.00
12/30/2009	27,000.00	-	54,225.00	81,225.00
12/30/2010	28,000.00	-	52,850.00	80,850.00
12/30/2011	29,000.00	-	51,425.00	80,425.00
12/30/2012	31,000.00	-	49,925.00	80,925.00
12/30/2013	32,000.00	-	48,350.00	80,350.00
12/30/2014	34,000.00	-	46,700.00	80,700.00
12/30/2015	35,000.00	-	44,975.00	79,975.00
12/30/2016	38,000.00	-	43,150.00	81,150.00
12/30/2017	39,000.00	-	41,225.00	80,225.00
12/30/2018	41,000.00	-	39,225.00	80,225.00
12/30/2019	43,000.00	-	37,125.00	80,125.00
12/30/2020	45,000.00	-	34,925.00	79,925.00
12/30/2021	48,000.00	-	32,600.00	80,600.00
12/30/2022	50,000.00	-	30,150.00	80,150.00
12/30/2023	52,000.00	-	27,600.00	79,600.00
12/30/2024	55,000.00	-	24,925.00	79,925.00
12/30/2025	58,000.00	-	22,100.00	80,100.00
12/30/2026	61,000.00	-	19,125.00	80,125.00
12/30/2027	64,000.00	-	16,000.00	80,000.00
12/30/2028	67,000.00	-	12,725.00	79,725.00
12/30/2029	70,000.00	-	9,300.00	79,300.00
12/30/2030	74,000.00	-	5,700.00	79,700.00
12/30/2031	77,000.00	-	1,925.00	78,925.00
Total	1,192,000.00	-	1,035,100.00	2,227,100.00

YIELD STATISTICS

Average Life.....	16.617 Years
Weighted Average Maturity (Par Basis).....	16.545 Years
Average Coupon.....	5.0752221%

REFUNDING BOND INFORMATION

Refunding Dated Date.....	4/01/2004
Refunding Delivery Date.....	4/27/2004

**GRAYSON COUNTY WATER DISTRICT
STATEMENTS OF NET ASSETS
DECEMBER 31, 2003 AND 2002**

	DECEMBER 31,	
	2003	2002
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
Operation and maintenance	\$ 800	\$ 0
Revenue	412,974	195,419
Depreciation	48	1,185
Accounts receivable		
Customer accounts receivable, net of allowance for uncollectibles of \$39,276 and \$39,113	78,684	46,336
Accounts receivable - WRECC	27,812	31,677
Unbilled revenue	99,851	0
Prepaid insurance	13,451	10,871
Inventory	52,408	48,711
TOTAL CURRENT ASSETS	686,028	334,199
NON-CURRENT ASSETS		
Restricted cash and cash equivalents		
Bond and note sinking funds	405,343	308,586
Depreciation fund	612,240	1,068,391
Special projects	159,557	230,926
Capital assets		
Land and land rights	148,236	147,886
Construction in progress	0	1,252,616
Utility plant and lines	22,186,325	19,234,045
Utility equipment and other	299,028	246,184
Less: Accumulated depreciation	(3,396,749)	(2,932,760)
TOTAL NON-CURRENT ASSETS	20,413,980	19,555,874
TOTAL ASSETS	\$ 21,100,008	\$ 19,890,073

(CONTINUED)

	DECEMBER 31,	
	<u>2003</u>	<u>2002</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 90,758	\$ 30,506
Construction costs payable	0	542,209
School and sales taxes payable	5,052	4,852
Interest payable from restricted assets	198,786	215,963
Cash overdraft	0	4,290
Customer deposits	91,048	88,474
Current portion of long-term debt	338,876	308,586
TOTAL CURRENT LIABILITIES	<u>724,520</u>	<u>1,194,880</u>
NON-CURRENT LIABILITIES		
Bonds and loans payable	12,055,955	11,830,172
Less: Current portion of long-term debt	(338,876)	(308,586)
TOTAL NON-CURRENT LIABILITIES	<u>11,717,079</u>	<u>11,521,586</u>
TOTAL LIABILITIES	12,441,599	12,716,466
NET ASSETS		
Invested in capital assets, net of related debt	7,180,885	6,117,799
Restricted for debt service	405,343	308,586
Restricted for depreciation reserves	612,240	1,068,391
Restricted for special projects	159,557	230,926
Unrestricted	300,384	(552,095)
TOTAL NET ASSETS	<u>8,658,409</u>	<u>7,173,607</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 21,100,008</u>	<u>\$ 19,890,073</u>

Accompanying notes to the financial statements are an integral part of this statement.

GRAYSON COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	DECEMBER 31,	
	2003	2002
OPERATING REVENUES		
METERED SALES		
Residential	\$ 1,714,879	\$ 1,586,298
Commercial	232,773	232,847
Agriculture	2,597	1,974
Resale	76,361	90,044
TOTAL METERED SALES	2,026,610	1,911,163
FORFEITED DISCOUNTS	40,833	40,024
MISCELLANEOUS SERVICE REVENUE	7,685	1,751
TOTAL OPERATING REVENUES	2,075,128	1,952,938
 OPERATING EXPENSES		
PURCHASED WATER	199,999	372,509
SUPPLY AND PUMPING EXPENSE		
Purchased power	12,336	30,565
Materials and supplies	13,070	67,689
Insurance	5,873	9,407
Transportation	2,151	0
Miscellaneous	725	279
Contractual services	33,228	80,003
Professional services	0	2,552
TOTAL SUPPLY AND PUMPING EXPENSE	67,383	190,495
WATER TREATMENT EXPENSE		
Purchased power	46,095	0
Materials and supplies	56,979	0
Insurance	5,873	0
Transportation	880	0
Miscellaneous	1,390	0
Contractual services	115,024	0
Professional services	18,608	0
TOTAL WATER TREATMENT EXPENSE	244,849	0
GENERAL DISTRIBUTION EXPENSE		
Materials and supplies	25,943	28,768
Insurance	5,873	12,967
Transportation	13,572	6,036
Miscellaneous	3,363	743
Contractual services	150,916	44,574
Professional services	970	2,552
TOTAL GENERAL DISTRIBUTION EXPENSE	200,637	95,640

(CONTINUED)

Accompanying notes to the financial statements are an integral part of this statement.

GRAYSON COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	DECEMBER 31,	
	2003	2002
MAINTENANCE EXPENSE		
Contractual services	\$ 94,966	\$ 12,983
Distribution	1,355	89,432
Services	17,275	88,021
Meters and hydrants	1,675	16,504
Miscellaneous	0	11,971
TOTAL MAINTENANCE EXPENSE	115,271	218,911
CUSTOMER ACCOUNTS EXPENSE		
Materials and supplies	14,203	0
Transportation	11,671	0
Miscellaneous	1,721	20,396
Contractual services	113,959	147,537
Professional services	0	2,552
Customer records	62,895	91,514
TOTAL CUSTOMER ACCOUNTS EXPENSE	204,449	261,999
ADMINISTRATIVE AND GENERAL EXPENSE		
Office expenses	0	26,092
Materials and supplies	11,937	25,384
Insurance	8,225	9,407
Transportation	1,687	5,410
Miscellaneous	28,474	36,101
Contractual services	138,571	0
Professional services	11,567	86,227
TOTAL ADMINISTRATIVE AND GENERAL EXPENSE	200,461	188,621
DEPRECIATION EXPENSE	463,989	402,376
TOTAL OPERATING EXPENSES	1,697,038	1,730,551
OPERATING INCOME (LOSS)	378,090	222,387
NONOPERATING REVENUES (EXPENSES)		
Miscellaneous income	26	7,825
Interest income	28,935	39,800
Interest expense	(447,073)	(358,876)
PSC taxes	(3,560)	(3,571)
DOT project revenues	74,065	0
DOT project expenses	(74,065)	0
TOTAL NONOPERATING REVENUES (EXPENSES)	(421,672)	(314,822)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(43,582)	(92,435)
CAPITAL CONTRIBUTIONS		
Grant income	1,421,126	513,821
Contributions in aid of construction	107,258	142,559
TOTAL CAPITAL CONTRIBUTIONS	1,528,384	656,380
CHANGE IN NET ASSETS	1,484,802	563,945
TOTAL NET ASSETS – BEGINNING	7,173,607	6,609,662
TOTAL NET ASSETS – ENDING	\$ 8,658,409	\$ 7,173,607

(CONCLUDED)

Accompanying notes to the financial statements are an integral part of this statement.

**GRAYSON COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

	DECEMBER 31,	
	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers		
Payments to suppliers	\$ 1,946,794	\$ 1,939,834
Payments for contractual services	(592,662)	(1,043,805)
Other receipts (payments)	(586,412)	(312,763)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(5,050)</u>	<u>25,137</u>
	762,670	608,403
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	0	0
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Grant proceeds		
Proceeds from capital debt	1,421,126	513,821
Principal repayment of capital debt	808,878	2,908,493
Capital contributions	(583,095)	0
Purchases of capital assets	107,257	142,559
Interest paid on capital debt	(1,752,858)	(4,023,044)
Decrease in tank repairs	(447,073)	(358,876)
DOT project revenues	0	1,101
DOT project expenses	74,065	0
Increase (decrease) in construction costs payable	(74,065)	0
Increase (decrease) in interest payable from restricted assets	(542,209)	542,209
Other	(17,177)	180,071
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>1</u>	<u>0</u>
	(1,005,150)	(93,666)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income		
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>28,935</u>	<u>39,800</u>
	28,935	39,800
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	(213,545)	554,537
BALANCES - BEGINNING OF YEAR	1,804,507	1,249,970
BALANCES - END OF YEAR	<u>\$ 1,590,962</u>	<u>\$ 1,804,507</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 378,090	\$ 222,387
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	463,989	402,376
Payment of PSC taxes	(3,560)	(3,571)
Receipt of miscellaneous income	26	7,825
Changes in assets and liabilities:		
Net (increase) decrease in receivables, net	(28,483)	(13,104)
Net (increase) decrease in miscellaneous deferred	0	5,314
Net (increase) decrease in unbilled revenues	(99,851)	0
Net (increase) decrease in prepaid insurance	(2,580)	(124)
Net (increase) decrease in inventory	(3,697)	(603)
Net increase (decrease) in cash overdraft	(4,290)	4,290
Net increase (decrease) in accounts payable	60,252	(27,666)
Net increase (decrease) in school and sales taxes payable	200	0
Net increase (decrease) in customer deposits	2,574	11,279
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 762,670</u>	<u>\$ 608,403</u>

Accompanying notes to the financial statements are an integral part of this statement.